

Reclamation Manual

Directives and Standards

Subject:	Power Contracts - Development and Administration
Purpose:	Establishes a standard for the development and administration of power contracts. This Directive and Standard benefits Reclamation by providing a single, unified procedure for establishing and administering power contracts related to project use.
Authority:	The Reclamation Act of 1902 (Act of June 17, 1902, 32 Stat. 388), the Town Sites and Power Development Act of 1906 (Act of April 16, 1906, ch. 1631, 34 Stat. 116), the Boulder Canyon Project Act of 1928 (Act of December 21, 1928, ch. 42, 45 Stat. 1057), Reclamation Project Act of 1939 (Act of August 4, 1939, ch. 418, 53 Stat. 1187), the Flood Control Act of 1944 (Act of December 22, 1944, ch. 665, 58 Stat. 887), the Colorado River Storage Act (Act of April 11, 1956, ch. 203, 70 Stat. 105), the Department of Energy Act of 1977 (Act of August 4, 1977, Pub. L. 95-91 Stat. 565), and acts relating to individual dams or projects.
Approving Official:	Director, Office of Program and Policy Services
Contact:	Power Resources Office, 84-54000

- 1. Introduction.** Reclamation develops and administers contracts for power associated with project use purposes. The above acts and other project-specific acts provide authority for Reclamation to develop power for project use purposes as defined in Reclamation Manual Directive and Standard (D&S), *Project Use Power* (FAC 04-06).
- 2. Applicability.** This D&S is for power contracts developed and administered exclusively by Reclamation. Where appropriate, joint contracts using a power marketing administration's (PMA) contracting procedures, provisions, and services may be used in lieu of, or in conjunction with, this D&S. Regional or area offices that rely on joint contracts with a PMA using the PMA's contracting procedures, provisions, and services for the billing, collecting revenue, and scheduling of energy for project use shall conform to the requirements of this D&S as applicable. All joint party contracts involving a PMA shall be subject to the same coordination and approval processes as contained in this D&S. Copies of correspondence, draft contracts, and conformed copies of executed contracts shall be submitted as provided in Paragraph 9. The Department of the Interior (Interior) rate schedules used in joint Reclamation and PMA contracts shall be those schedules approved by Interior for project use power and shall be those schedules as approved by the Department of Energy for other types of power.
- 3. Coordination.** To ensure consistency in regional power contracting activities within the limit of established policies and approved programs, close coordination with the Office of the Commissioner is essential. Accordingly, the Power Resources Office, 84-54000, of the Office of Program and Policy Services (OPPS) shall be kept informed of all electric service

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contract negotiations anticipated or being negotiated. The Power Resources Office will coordinate as appropriate with the Contract Services Office in OPPS.

4. **Coordination with Power Marketing Administrations.**

- A. **Coordination with Western Area Power Administration (Western).** In accordance with Exhibit E to the Master Agreement dated March 26, 1980, between Reclamation and Western, Western shall be consulted during the development of future water contracts which involve electric service for project use power in Western's geographic area of responsibility and shall concur with such contracts before they are executed. Likewise, modifications or revisions of existing electric service contracts for project use power administered by Reclamation in Western's geographic area of responsibility will be subject to review and concurrence by Western before execution.
- B. **Coordination with Bonneville Power Administration.** Modifications or revisions of existing electric service contracts for project use power administered by Reclamation in Bonneville Power Administration's geographic area of responsibility will be in accordance with existing agreements and memorandums of understanding with the Bonneville Power Administration.

5. **Content of Contracts.**

- A. All contracts shall be indexed and shall contain, in addition to such preliminary recitals as may be appropriate, the standard articles entitled:
- (1) Preamble
 - (2) Electric Service to be Furnished - Paragraphs (a) (b)
 - (3) Schedule of Rates
 - (4) Term of Contract - Paragraphs (a) (b)
 - (5) General Power Contract Provisions
 - (6) Signature Clause
 - (7) Certificate (when the contractor is a private corporation)
- B. Where standard articles or paragraphs thereof have been approved and are applicable to particular contractual situations, such articles may be used as appropriate. Optional standard articles (which are listed in Appendix B) will be used in any contract if, in the discretion of the Contracting Officer, their use is considered essential to protect the interest of the United States or to meet the requirements of the contract. Service to prospective customers for irrigation and/or drainage loads should be rendered under the

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appropriate schedule of rates. The appropriate "Electric Service to be Furnished" article must be used stating the seasonal service months (which may be stated from 1 to 12 months, inclusive).

6. **Transmission Contracts.**

- A. In circumstances where the transmission of electric power over the transmission facilities of a non-Federal power system for project requirements may be to the advantage of the United States, Reclamation will first consider the option of a PMA negotiating and contracting for the transmission service prior to Reclamation contracting with other transmission entities. Before negotiations for transmission contracts are undertaken by Reclamation, the Commissioner shall be informed of the circumstances and given such pertinent information as is available. The Regional Director will then be instructed as to the course to be pursued.
- B. The appropriate standard articles shall be used in contracts for electric service that are, or may be, dependent upon the existence of a transmission service arrangement using the power transmission facilities of another entity.

7. **Procedures and Articles.** Four groups of procedures and articles are provided in Appendices A through D:

- A. **Appendix A: Contracts for Project Use Power.** The articles contained in this group are for use in all electric service contracts where seasonal pumping service is involved. An appropriate rate schedule is to be used with this group. These articles are the standard contract articles.
- B. **Appendix B: Optional Articles.** This group contains articles which are not normally necessary in power sales contracts but which may be used when conditions warrant.
- C. **Appendix C: Contracts Involving Transmission.** This group consists of modifications and additions to the electric service contract articles to reflect conditions due to transmission over a transmission path not belonging to Reclamation or the PMA.
- D. **Appendix D: General Power Contract Provisions.** This group of articles contains provisions governing routine matters. These will be standard for all power sales contracts; will be attached as printed to each contract; and, by reference, made a part thereof.

- 8. **Approval.** The sponsoring region will send copies of contract drafts to the Power Resources Office, 84-54000, for review and comments. The Manager, Power Resources Office, is responsible for reviewing the contracts and promptly advising the Director, OPSS as to conformance to policy and the adequacy and clarity of the technical provisions. The Director, OPSS will obtain the Commissioner's approval of the contract. The Commissioner's Office will obtain any necessary power rate approvals from the Secretary's

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Office. The Regional Director is responsible for assuring that the contract provisions are satisfactory to legal and financial advisers in or available to the regional office.

9. Copies of Correspondence and Contracts.

- A. **Correspondence.** Correspondence and enclosures on power contract matters shall be submitted to the Power Resources Office, 84-54000.
- B. **Contract Drafts.** Drafts of contracts shall be submitted to the Power Resources Office, 84-54000.
- C. **Executed Contracts.** One conformed copy of executed power contracts shall be furnished to the Office of the Commissioner, attention 91-00000. Two conformed copies shall be sent to the Power Resources Office, 84-54000. All notices, requests, letter arrangements, or operating arrangements authorized by the contract shall be distributed similarly.